

Message Text

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43

ACTION AGR-08

INFO OCT-01 EUR-12 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

COME-00 TRSE-00 /035 W

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R 121006Z MAR 76

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC PRIORITY 6951

INFO AMEMBASSY BELGRADE

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BELGRADE FOR AGATT

E.O. 11652: N/A

TAGS: EAGR, RO

SUBJ: ROMANIAN REQUEST FOR CCC CREDITS FOR SOYBEANS

REF: STATE 44581, FAS BELGRADE RM 6001

1. SUMMARY. GOR HAS TRANSMITTED TO US INCREASED REQUEST FOR SOYBEANS AND SOYBEAN MEAL TOGETHER WITH REQUESTED PRODUCTION AND IMPORT DATA. IN LIGHT OF POTENTIAL FUTURE MARKET OPPORTUNITIES WE PERCEIVE AND OF DATA PROVIDED, EMBASSY URGES PROMPT FORTHCOMING RESPONSE TO ROMANIAN REQUEST. END SUMMARY.

2. RECALLING DISCUSSIONS DURING SECRETARY BUTZ' VISIT HERE AND RECENT INCLUSION OF SOYBEANS AND SOYBEAN MEAL ON CCC ELIGIBILITY LIST, GOR HAS SUBMITTED TO US FIRM, EXPANDED REQUEST FOR CCC CREDITS FOR 220,000 M.T. OF SOYBEANS AND 161,000 M.T. OF SOYBEAN MEAL.

3. GOR REQUEST PREDICATED ON FOLLOWING ESTIMATE OF GOR IMPORT NEEDS (IN 000 M.T.) FOR CALENDAR 1976. (GOR UNABLE TO BREAK OUT FISCAL YEAR REQUIREMENTS).

TOTAL IMPORTS	CASH PURCHASES
FROM U.S.	REQUEST

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SOYBEANS	320	100	220
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SOYBEAN MEAL	211	50	161
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4. WERE THESE FORECAST IMPORT LEVELS REALIZED, THEY WOULD, ACCORDING TO ROMANIAN DATA, REPRESENT FIRST RECENT U.S. PENETRATION OF ROMANIAN MARKET FOR SOYBEANS AND REASONABLE CONTINUITY IN U.S. SALES OF MEAL. IMPORT DATA PRESENTED BELOW REFLECTS NOT ONLY SHIPMENTS DIRECTLY FROM U.S. BUT ALSO PURCHASES OF U.S. SOURCE MEAL THROUGH INTERNATIONAL GRAIN DEALERS IN FRG AND SWITZERLAND.

IMPORTS (000 MT)

NC	1971	1972	1973	1974	1975
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SOYBEANS

TOTAL IMPORTS	20,002	20,095	19,470	19,725	20,029
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IMPORTS FROM US	NIL	NIL	NIL	NIL	NIL
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SOYBEAN MEAL

TOTAL IMPORTS	51,206	116,917	214,933	226,225	267,885
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IMPORTS FROM US	NIL	100,320	214,933	225,427	237,885
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(THROUGH SWITZER- LAND)	(THROUGH FRG AND SWITZER- LAND)	(THROUGH SWITZERLAND)
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SOYBEAN OIL

TOTAL IMPORTS	NIL	NIL	NIL	3,447	5,297
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IMPORTS FROM US	NIL	NIL	NIL	NIL	NIL
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5. IN DISCUSSION OF GOR REQUEST WITH DEPY MINISTERS ION STANCIU BV MINISTRY OF AGRICULTURE AND CONSTANTIN STANCIU OF MFT ON MARCH 10, DCM AND E/C:COUNSELOR INQUIRED ABOUT (1) PRECEDENT-BREAKING GOR INTEREST IN SOYBEANS AND (2) DECLINE IN PROJECTED CASH PURCHASE OF SOYBEAN MEAL. ON FIRST POINT ION STANCIU (MINAG) EXPLAINED THAT LAST YEAR'S DISAPPOINTING LIMITED OFFICIAL USE

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CROP, WHICH APPRECIABLY BELOW 1970-1973 PRODUCTION LEVELS, FACED GOR WITH PROSPECT OF PROTRACTED CLOSURE OF CRUSHING PLANTS WITH ATTENDANT LOSS OF EMPLOYMENT, AND IDLING OF CAPITAL INVESTMENT OF HUNDREDS OF MILLIONS OF LEI. REGARDING SECOND QUESTION, ION STANCIU STATED THAT CASH PURCHASE OF MEAL ACTUALLY LIKELY TO RISE TO BETWEEN 70-80,000 TONS WITH CORRESPONDING RISE IN TOTAL IMPORTS. THIS LEVEL, TOGETHER WITH PLANNED CASH PURCHASE OF SOYBEANS, WAS FELT TO BE CONSISTENT WITH LEVELS OF

ROMANIAN SOYBEAN MEAL IMPORTS FROM U.S. IN RECENT YEARS,
ESPECIALLY TAKING INTO CONSIDERATION HIGHER PRICE OF SOYBEANS.

6. WE INQUIRED ABOUT PROSPECTS OF U.S. MARKET FOR SOYBEAN
PRODUCTS IN COMING YEARS. DEPY MIN OF AGRICULTURE ADMITTED
THAT ROMANIA HOPED THAT INCREASE IN SUNFLOWER PRODUCTION WOULD
ELIMINATE IMPORTS OF SOYBEANS BUT FORESAW THAT IMPORTS OF
SOYBEAN MEAL AT LEAST FOR NEXT TWO YEARS WOULD CONTINUE AT
RECENT LEVEL.

7. IN FACE OF LAGGING SUNFLOWER PRODUCTION IN 1975 AND
PRESIDENT CEAUSESCU'S FIRM COMMITMENT LAST OCTOBER TO ASSURE
IMPROVED SUPPLIES OF ESSENTIALS LIKE EDIBLE OIL, WE ARE CONVINCED
THAT MAJOR SHARE OF SOYBEAN OIL OBTAINED FROM 220,000 M.T. OF
BEANS REQUESTED UNDER CCC CREDIT WOULD BE FOR DOMESTIC USE.
OF THIS ESTIMATED 40,000 M.T. OF OIL IT WOULD BE REASONABLE TO
ASSUME THAT HALF OR MORE WOULD BE UTILIZED TO ELIMINATE IMPORTS
AND TO AUGMENT DOMESTIC CONSUMPTION, CURRENTLY ESTIMATED AT
180,000 M.T. ANNUALLY. WE DEEM IT PROBLEMATIC THAT ENTIRE
QUANTITY WOULD BE ABSORBED DOMESTICALLY AND BELIEVE IT MORE
REALISTIC TO POSTULATE THAT CERTAIN QUANTITY OF SUNOIL WOULD
BE FREED FOR EXPORT TO THIRD MARKETS, PROBABLY INSUFFICIENT
TO PERMIT 1976 EXPORTS TO REACH 1974 LEVEL OF 165,000 M.T.
WE WOULD ALSO HAVE TO ACKNOWLEDGE THAT, IN ADDITION TO PRE-
SERVING MARKETS BUILT UP IN RECENT YEARS, ROMANIA IS QUITE
CAPABLE OF SEIZING NEW MARKET OPPORTUNITY TO MAKE POLITICAL
CAPITAL OR ECONOMIC PROFIT. ON BALANCE, HOWEVER, DATA SUGGESTS
THAT REQUESTED CCC CREDIT FOR SOYBEANS WOULD NOT ENHANCE EXISTING
ROMANIAN EXPORT CAPACITY.

8. ALL FACTORS CONSIDERED WE STRONGLY SUPPORT NAC APPROVAL OF
CCC CREDIT WHICH WILL SUBSTANTIALLY MEET GOR REQUEST. ROMANIA
IS IN FOREFRONT OF COUNTRIES OF EE WHICH IN THEIR EFFORTS TO
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ACHIEVE RAPID INCREASE IN MEAT PRODUCTION ARE, AS SECRETARY BUTZ
OBSERVED, POTENTIALLY EXCELLENT MARKETS FOR OUR SOYBEANS. DESPITE
ROMANIAN CLAIMS OF BEING ABLE TO MEET NEEDS FROM DOMESTIC PRO-
DUCTION, OUR ESTIMATE IS THAT GOR EXPANSION OF MEAT OUTPUT WILL
INCREASE FASTER OVER MEDIUM TERM THAN GROWTH IN SOYBEAN
PRODUCTION. APPROVAL OF CCC CREDITS THEREFORE SEEMS SOUND
INVESTMENT IN MARKET DEVELOPMENT.

9. WHILE WE RECOGNIZE THAT GOR HAS PURSUED ITS RECENT
CCC REQUEST SOMEWHAT UNEVENLY, ROMANIANS HAVE PLACED HIGHEST
PRIORITY ON REQUEST FOR SOYBEANS AND ARE MOST ANXIOUS FOR
USG RESPONSE. WE THEREFORE HOPE THAT IT WILL BE POSSIBLE
TO SCHEDULE CONSIDERATION OF REQUEST AT NEXT NAC MEETING.
SINCE AMBASSADOR WILL BE SEEKING APPOINTMENT WITH DEPUTY PRIME
MINISTER NEXT SEVERAL DAYS, WE WOULD APPRECIATE RECEIVING

INDICATION AS TO PROBABLE TIMING AND CHARACTER OF NAC ACTION.

BARNES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SOYBEANS, CREDIT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BUCHAR01281
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760094-0240
From: BUCHAREST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760368/aaaachte.tel
Line Count: 171
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 44581
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by woolflhd>; APPROVED <30 AUG 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ROMANIAN REQUEST FOR CCC CREDITS FOR SOYBEANS
TAGS: EAGR, EEWT, RO, US, CCC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006